

**Kidd Creek
Mines Ltd.
1982
Annual
Report**



Highlights

- First full year of operation for KIDD CREEK MINES as a member of the CDC group of companies.
- Smelter/refinery commenced commercial production in November.
- Zinc plant pressure leach circuit was completed.
- First gold produced from Owl Creek Mine
- No. 2 mine attained full production.

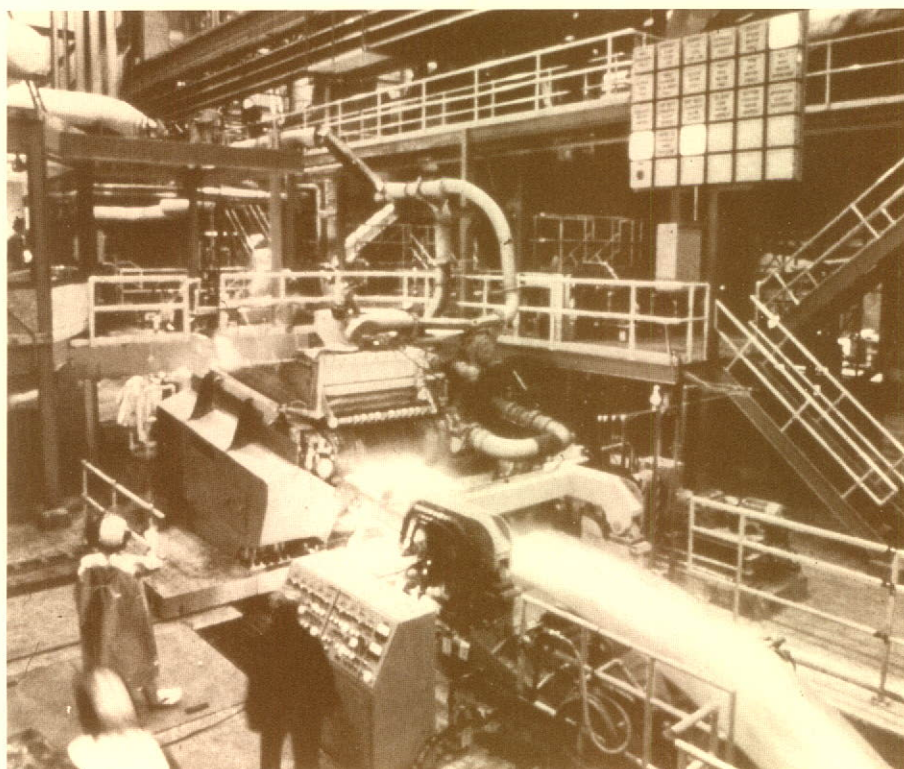


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Bill Fearn, Senior Vice President Finance and Administration, Kent Hoffman, Senior Vice President Marketing and Mike Amsden, Senior Vice President Operations in discussion.



Company Profile

Kidd Creek Mines Ltd. is an integrated mineral resource company owned by Canada Development Corporation (CDC).

The company owns and operates a mining and metallurgical complex in Timmins, Ontario. It produces copper-zinc-silver ore from the famous Kidd Creek orebody and gold ore from a small open-pit mine at Owl Creek. Kidd Creek Mines Ltd. and its affiliated companies also hold a 40% interest in the Allan Potash Mine in Saskatchewan and a 35% net profits royalty interest in the Nanisivik lead-zinc mine on Baffin Island. These assets were acquired by CDC from Texasgulf Inc., of Stamford, Connecticut in January 1982, with effect from September 1981.

The Kidd Creek orebody was discovered in 1964, and was the outcome of an on-going exploration program first conceived in the 1950's. Production at the Kidd Creek mine began in November 1966. The original open-pit mine has

since been replaced by two underground mines, one extending to a depth of 930 metres, and the second to 1550 metres. The two mines have a combined annual production capacity of 4,400,000 tonnes of ore.

The Owl Creek Mine was brought into production in 1982.

A highly automated concentrator began production of zinc, copper and lead concentrates in 1966. This plant processes all ore from the company's base metal mines in Timmins.

An electrolytic zinc plant, commissioned in 1972, processes Kidd Creek concentrates to produce zinc and cadmium. The recently completed pressure leach circuit increased annual design capacity from 109,000 tonnes to 127,000 tonnes of zinc.

A copper smelter/refinery complex with an annual design capacity at 59,000 tonnes of cathode copper was completed in 1981.

The company explores for new mineral deposits throughout Canada, with current activity strongly focused in Northern Ontario. The company markets its metals, concentrates and metallurgical residues. Potash is sold off-shore through Canpotex Ltd., the Canadian potash industry's international marketing organization, and the North American market is served by Texasgulf Inc.





Tony Griffiths, Manager, Metal Sales, discusses marketing with sales representatives, Jim Tony, Debbie Weston and Drew Kelly.

Chairman's Remarks



This past year was the first full year of operation for Kidd Creek Mines as a member of the CDC group of companies. In the mining industry it was also the worst year economically since the Great Depression of the 1930's. It is hard to imagine a more difficult year in which to make the transition from the status of a division of a large multinational corporation to that of an independent Canadian enterprise. Nevertheless we have substantially completed this transition and I believe that we are the stronger for having accomplished the task under such trying circumstances.

During 1982 aggressive cost reduction and productivity improvement programs were developed and are being implemented in all areas of the company.

The copper smelter and refinery began commercial production in November and has since been operating at better than 85% of design capacity. We anticipate that the cost of smelting and refining a tonne of copper will be considerably reduced in 1983.

Our work force continues to earn recognition as one of the safest in Canada. In April we were awarded the Ryan Trophy for safety, the sixth time we have won this award in the last seven years. We are proud of our health and safety record and will continue our efforts in this area.

We are continuing our efforts to increase sales by seeking new markets for our products. We are studying marketing alternatives for our

potash production; this will help us to further reduce costs.

Our mandate is to become a profitable and expanding company of international stature in the mining industry through the development, production and marketing of diverse mineral products. During 1982 we changed our management structure and have laid the foundations on which we will build towards this goal.

It is my view that with the passing of 1982, we have seen the bottom of the depression in the mining industry in Canada. I am confident that we can look forward to a recovery year in 1983. Metal prices have increased, interest rates have fallen and there are strong indications that the economy is beginning to improve.

It is fitting to pay tribute to the late George Mannard. His untimely death in August last year was a severe blow to our young company.

George was appointed the first President and Chief Operating Officer of Kidd Creek Mines in 1981. He is remembered for his affable personality, optimistic spirit and deep commitment to the company, its traditions and its future.

In his memory, we have established a postgraduate scholarship in Economic Geology at McGill University where George earned both his first degree and later his doctorate.

P. Ray Clarke
Chairman of the Board
President and
Chief Executive Officer

The longtime members of the Kidd Creek sluggers, Timmins slow pitch league. Their motto: "The championship is our goal, but good sportsmanship and playing the game well under all circumstances will keep us winners" serves them well at work and play.



Operations

Kidd Creek

Copper, zinc, silver and lead ores are extracted from two underground mines developed on the world famous Kidd Creek orebody.

The company processed 4.3 million tonnes of ore in 1982 compared to 4.1 million tonnes the previous year. The increase reflects the attainment of full production from the No. 2 Mine.

The ability to sustain production at current levels is supported by the ore reserve position. Proven and probable reserves at December 31, 1982 totalled 78.4 million tonnes containing 2.9% copper, 5.0% zinc, 0.2% lead and 67.0 grams of silver per tonne. An additional 8.8 million tonnes of ore of undetermined grade is inferred from limited data. These estimates do not include possible ore below the 1550-metre level.

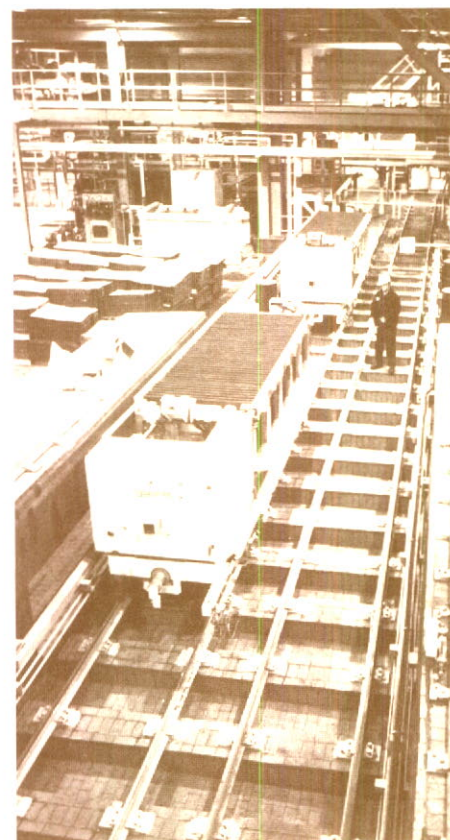
Proven and probable ore reserves decreased by 7.0 million tonnes in 1982. This reduction is attributable to mining 4.1 million tonnes of ore and

to improved information regarding ore outlines at the deeper levels of the mine.

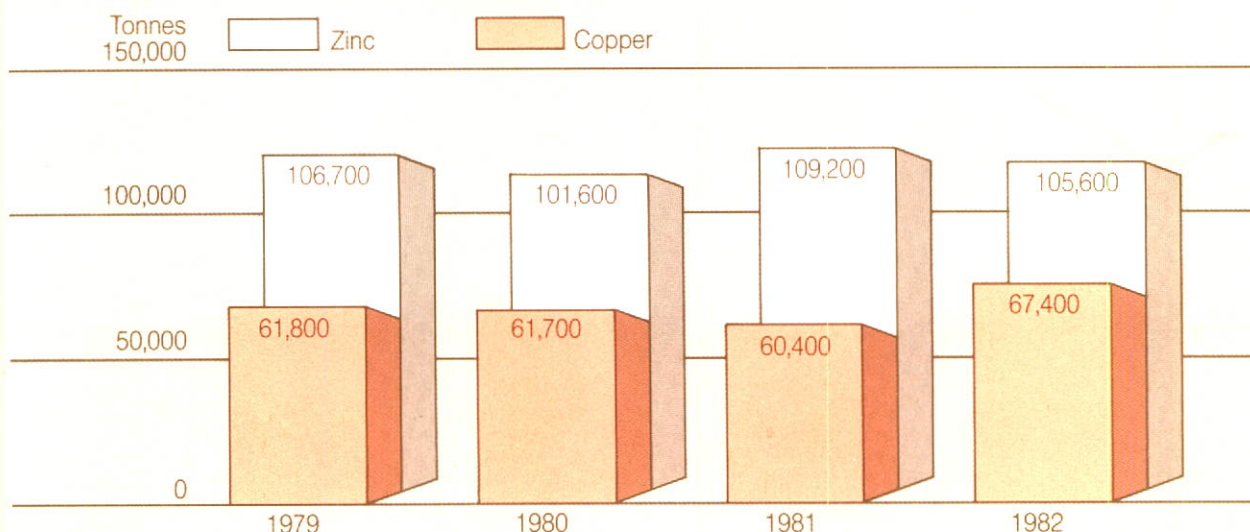
The concentrator produced 371,600 tonnes of zinc concentrate, 311,800 tonnes of copper concentrate and 26,300 tonnes of silver-lead concentrate. Total silver recoverable from all concentrates and metallurgical residues was 166,550 kilograms, compared to 144,970 kilograms in 1981.

The zinc plant consumed 210,400 tonnes of zinc concentrate, producing 105,600 tonnes of refined zinc. The balance of 161,200 tonnes of concentrate was available for direct sale.

A new pressure leach circuit in the zinc plant was completed during 1982. It will increase production capacity from 109,000 to 127,000 tonnes per year. Due to market conditions, start-up of the new circuit has been deferred until mid-1983. When fully operational, this new facility will increase internal consumption of zinc concentrate by 17% per year, with a corresponding increase in metal production.



Copper and Zinc Metal Production (Tonnes)



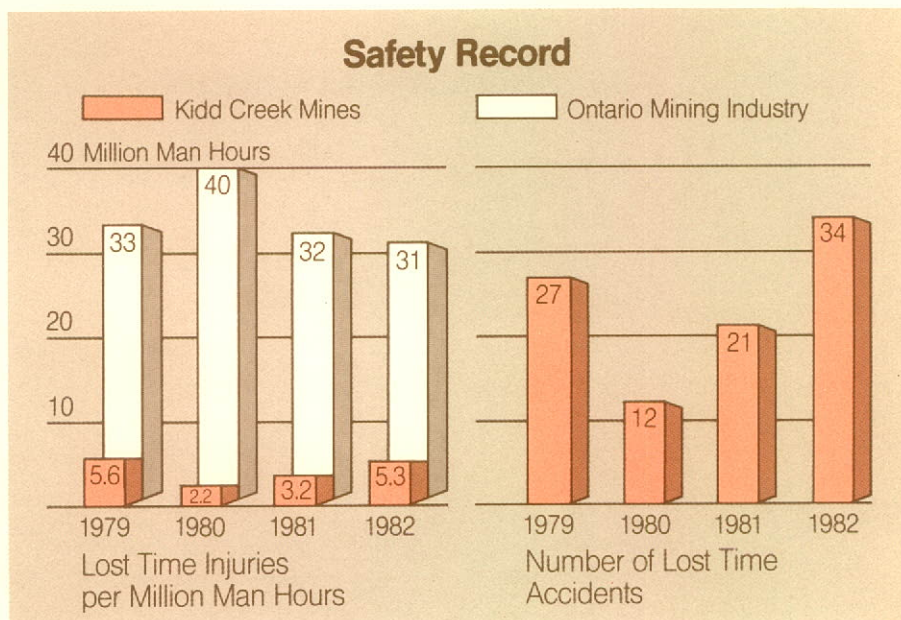


Another Safety Milestone:
Jim Martin, superintendent of maintenance, met site, presents an award to Anna Pelletier of the concentrator electrical crew. The awards given to each crew member commemorate their safety record of 500,000 manhours worked without a lost-time accident.

During 1982 the company completed the start-up of the new copper smelter and refinery. The plant consumed 118,600 tonnes of copper concentrate during the year. The balance of copper concentrate production, 193,200 tonnes, was smelted and refined on a toll basis elsewhere in Canada. Total refined copper production amounted to 67,400 tonnes. Production in the company's plant was 25,100 tonnes, 45% of design capacity. We expect to attain production at 85% of design capacity in 1983.

The company's metallurgical plants are designed to capture sulphur dioxide emissions and convert them to sulphuric acid. During 1982, the company produced 323,400 tonnes of sulphuric acid.

Operating employees continued their excellent safety record. Our accident rate was 5.3 lost-time injuries per million man-hours worked compared to the Ontario mining industry experience of 31. Every effort will be made to improve performance in 1983.



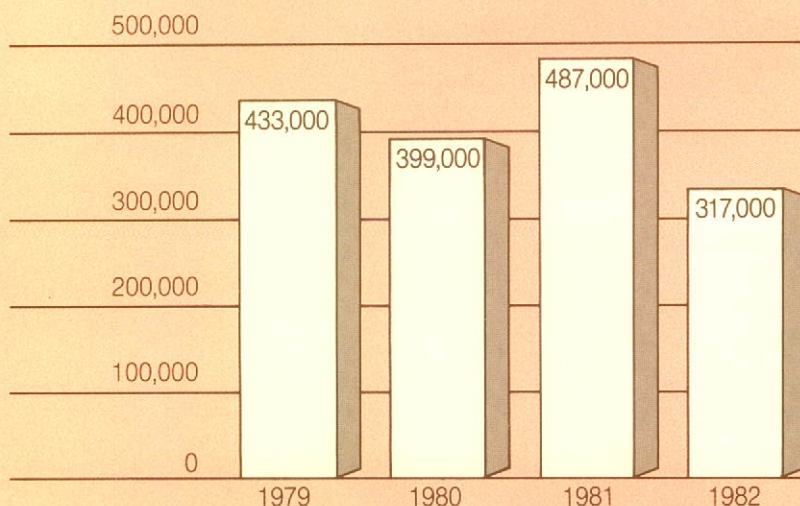
Owl Creek

Mining commenced in the Owl Creek open-pit in 1982. Ore milled totalled 247,600 tonnes of which 98,100 tonnes were processed in the Kidd Creek concentrator, producing gold con-

centrates which were refined on a toll basis. The balance of production was sold directly to a custom mill in the Timmins area. This latter arrangement has proved to be more satisfactory and will be continued throughout 1983.

Proven and probable ore reserves at Owl Creek at December 31, 1982 were 956,000 tonnes with an average grade of 4.1 grams/tonne gold.

Allan Potash Kidd Creek Share (Tonnes)



Allan Potash Mine

Kidd Creek Potash Company owns a 40% interest in the Allan Potash Mine located fifty kilometres east of Saskatoon, Saskatchewan. The mine produces various grades of muriate of potash, a major component of commercial fertilizers.

The Allan mine produced 794,000 tonnes of muriate of potash in 1982, a reduction of approximately 35% from the record production achieved in 1981. The decrease resulted from planned mine closures implemented to control the level of product inventories.

Don Bubar and Brendan Murphy setting up an exploration campsite at Fox Lake Camp, Northwest Territories.



Kidd Creek's share of Allan production was 317,000 tonnes, compared to 487,000 tonnes in 1981. At December 31, 1982, Allan Potash Mines Ltd. reported in situ ore reserves in excess of one billion tonnes with an average grade of 23.8% K_2O .

Nanisivik Mines Ltd.

Kidd Creek Mines Ltd. and an affiliated company own a 35 percent net profits royalty in the Nanisivik lead-zinc mine. Royalty payments will commence after Nanisivik Mines Ltd. has fully recovered its development and exploration costs.

In 1982 Nanisivik milled 633,600 tonnes of ore with an average grade of 11.3% zinc and 1.5% lead. Proven and probable ore reserves at December 31, 1982 were estimated to be 4.4 million tonnes grading 10.5% zinc and 0.8% lead. This represents a net increase in reserves of approximately 800,000 tonnes over the year, and indicates a projected mine life of at least seven years at the present rate of production.

Marketing

In general, the market for Kidd Creek products continued to deteriorate in 1982. Industrial demand for all products fell throughout the year. Prices also fell rapidly, reaching a low point in mid-year. They then began to climb slowly and by year-end, had recovered to about January levels.

Zinc

Zinc metal sales were 93,200 tonnes, a decrease of 7.0% from 1981. This compares favourably with the 15% decline in volume experienced by the North American zinc market as a whole.

Zinc concentrate sales totalled 144,000 tonnes from company production and an additional 21,000 tonnes which the company purchased from Nanisivik Mines Ltd. under a long-term agreement.

Erratic market conditions during the early part of the year resulted in a fall in

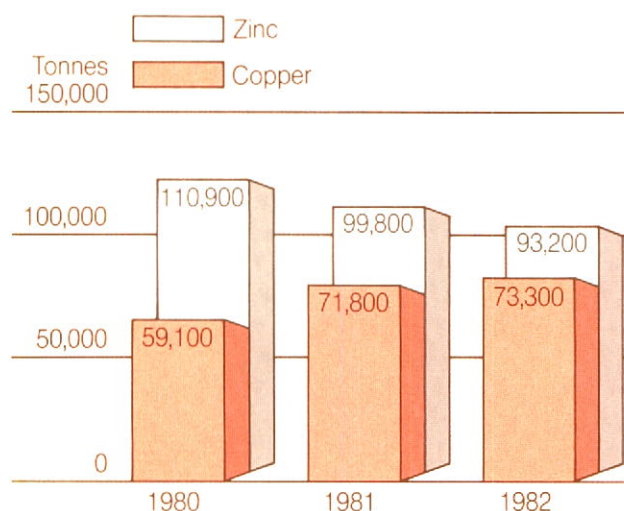
zinc prices to a low of 35 cents U.S. per pound. At year-end, prices had recovered to 40 cents U.S. per pound, but at that level most zinc producers were still suffering losses and significant mining capacity remained closed down.

Copper

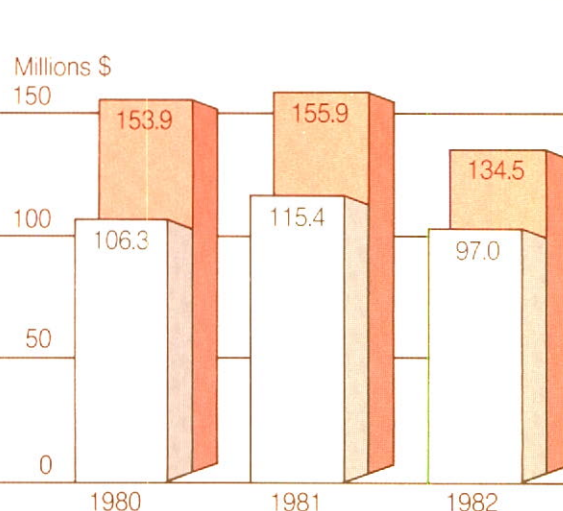
The company sold 73,300 tonnes of copper compared to 71,800 tonnes in 1981, an increase of two per cent. This increase was achieved in spite of weak demand and slumping prices.

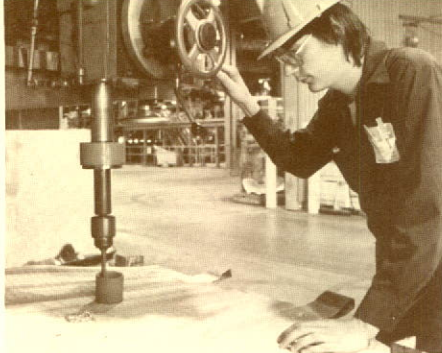
World inventories of copper increased during the year in spite of widespread shutdowns in the North American copper industry. Many new mining ventures in Africa, South America and Asia were postponed but production from existing mines in these areas continued at increasing rates. The North American industry is bearing the brunt of the world oversupply of copper. Idle production capacity is unlikely to be reopened until substantially higher prices are achieved. However, at year-end, improved auto-

Copper and Zinc Metal Sales (Tonnes)



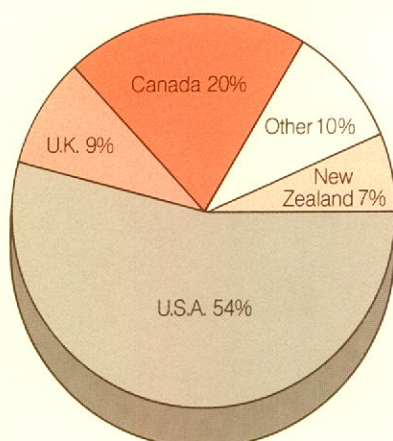
Copper and Zinc Metal Sales (\$)



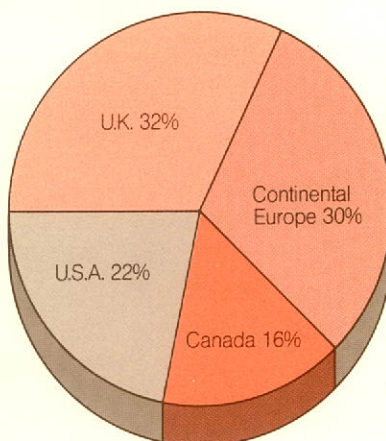


Brian Mord taking samples of Kidd Creek copper cathode for assay and analysis of purity.

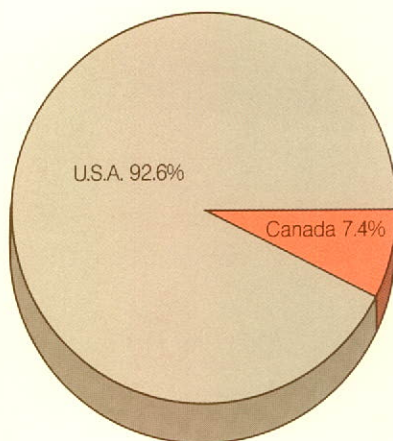
Sales by Country



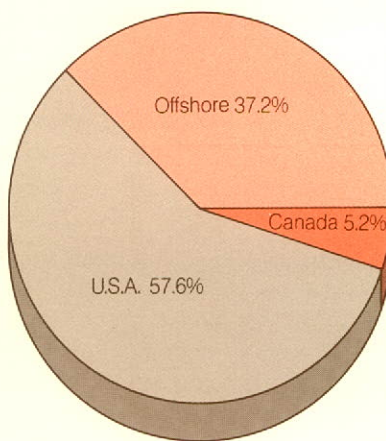
Zinc



Copper



Silver



Potash

mobile sales and increased housing starts were positive signs, and the Comex price had improved from a 1982 low of 54 cents U.S. per pound to 68 cents U.S. per pound.

Silver

The company sold 111,500 kilograms of silver as bullion or contained in refin-

ery slimes. Silver contained in silver-lead concentrates and other products represented an additional 49,700 kilograms of silver sales. Silver available for sale was reduced due to increased in-process inventory in the Kidd Creek copper smelter and refinery and also by the loss of production due to strike action against the firm which refines our silver. Silver

sales in 1983 should be substantially higher.

The price of silver fell to less than \$5.00 U.S. an ounce during June, but recovered in the third and fourth quarters. At year-end, the price was approaching \$12.00 U.S. an ounce, a record high except for the prices reached during the 1979-80 speculative boom.

Potash

Sales of potash decreased to 307,000 tonnes, a drop of 29% from the previous year.

1982 was a disastrous year in the fertilizer industry. Potash production in North America was severely curtailed to control the rapid build-up in inventories. By year-end they appeared to be under control. However low prices for farm products and the "Payment-in-Kind" program, designed to reduce agricultural production in the United States, will not encourage an early recovery in the strength of the potash market.

The growth of consumption in developing countries, though inhibited by adverse trade balances, represents the company's principal hope for additional sales in the near future. Sales to India and China already represent our largest off-shore market.

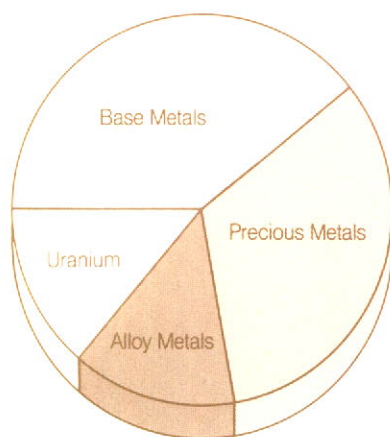
Market Development

The company will maintain its market development activities in 1983, emphasizing gravity-cast and die-cast zinc-aluminum alloys. The market for these alloys is small but growing rapidly; it promises to be significant in the not-too-distant future.

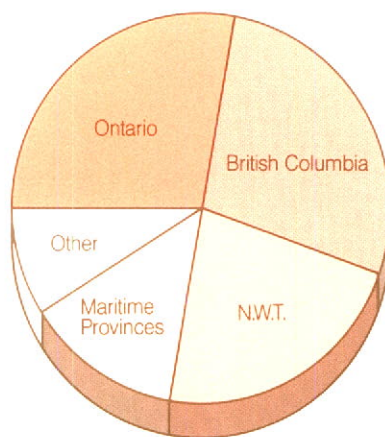
Mineral Exploration

Mineral Exploration

by Target



by Area



Recognizing the necessity to replace depleting ore reserves by making new discoveries, the company supports an active exploration division. Exploration programs are conducted from headquarters in Toronto and district offices in Timmins, Vancouver and Windsor, Nova Scotia. In 1982, the division employed a staff of sixty, including forty geologists and geophysicists.

During 1982, the mineral exploration program involved work on approximately seventy projects, widely distributed across Canada. Major targets were base and precious metals, with lesser emphasis on tin, tungsten and uranium. The long-term program in the Timmins district continues to sustain confidence that we will be successful in adding to present reserves of base and precious metals in this area. Elsewhere in Canada, encouraging results were obtained in the Yukon and Northwest Territories

(gold, uranium and base metals), in British Columbia (gold and silver) and in New Brunswick (tin).

The 1983 exploration budget will be reduced from 1982 levels, but a vigorous program will be undertaken in selected areas. Emphasis will be on the search for new base metal reserves in north-eastern Ontario and precious metals throughout Canada.

Lake base metal district in the Northwest Territories and the Hoyle Pond gold prospect in Timmins. Drilling results on the Gondor Lake and Hood River deposits are encouraging. Further drilling will be required to define these deposits.

Surface drilling at Hoyle Pond confirmed earlier results and underground exploration of this prospect will be the top priority in 1983. Work will begin on driving an underground ramp to provide access for more detailed evaluation of the continuity and grade of the gold-bearing structures.

Research and Development

This group completed mineralogical studies related to exploration projects and evaluated various proposals for further treatment of metallurgical residues.

In co-operation with staff at the metallurgical site, research is directed towards controlling the level of impurities in smelter feed, enhancing silver and zinc recoveries in the zinc plant and other improvements in process metallurgy. Projects under study offer excellent near-term potential to improve the company's profitability.

Project Development

This division is responsible for directing mineral discoveries through to completion of feasibility studies. A staff of ten works out of offices in Toronto and Timmins, in co-operation with both exploration and production personnel.

During 1982 the project development division continued to evaluate the Izok Lake — Hood River — Gondor

Financial Commentary

Kidd Creek's first full year as an independent enterprise was a difficult one. Prices for its products fell to levels which were close to historic lows in real terms and demand for the company's products declined to unusually low levels. Double-digit inflation rates prevailed in Canada for most of 1982 and interest rates were higher than ever before experienced.

The company's revenues amounted to \$324.3 million. This is lower than the comparable revenues of the company's predecessor at any time during the last five years. On the other hand, costs continued to escalate. This, coupled with the high cost of debt service, resulted in a pre-tax loss of \$59.1 million and a net loss after taxes of \$37.3 million.

Working capital was reduced by \$93.3 million from a year earlier. A total

of \$25.8 million was required for operations. The capital expenditure program amounted to \$107 million, largely to complete the copper smelter/refinery and to increase zinc production capacity.

Cash was required for the repayment of long-term debt and to finance increased work-in-process inventory. Cash requirements were financed primarily by short-term loans from CDC.

In response to the severely depressed conditions in the mining industry, and their effect on Kidd Creek, the company took steps to reduce costs, improve efficiency and maximize cash flow. These measures which were implemented in late 1982, included an early retirement and staff reduction program, stringent cost control programs in all areas of the company, and a reduction in inventories achieved in part through a brief shut-down at the end of 1982.

Outlook for 1983

Kidd Creek's profitability is highly sensitive to movements in metal prices and interest rates. At current levels, the company will have a positive cash flow in 1983. This will be enhanced by the benefits of the cost reduction and efficiency improvement measures implemented in 1982 and by a full year of production from the copper smelter and refinery.

Management will focus on the maximization of cash flow. Capital expenditures will be reduced significantly from 1982 levels and limited to those necessary to maintain production and the company's high standard of health and safety in the workplace. Aggressive marketing policies will be continued with the objective of liquidating excess inventories by mid-year.

Combined Statement of Operations

Year ended December 31, 1982 (thousands of dollars)

Revenue	<u>\$ 324,289</u>
Operating expenses:	
Cost of sales	268,592
Corporate administration	20,661
Exploration	17,031
Interest (net of interest capitalized of \$55,207)	77,103
	<u>383,387</u>
Loss before taxation	59,098
Income and mining taxes (note 7)	(21,777)
Net Loss	<u>\$ 37,321</u>

See accompanying notes.

Combined Balance Sheet

December 31, 1982 with comparative figures for 1981 (thousands of dollars)

Assets	1982	1981
Current assets:		
Cash	\$ —	\$ 11,248
Trade accounts receivable	59,151	51,663
Other receivables	19,014	12,563
Inventory of products	110,890	70,277
Inventory of supplies	38,483	36,125
	<u>227,538</u>	<u>181,876</u>
Property, plant and equipment:		
Property	296,788	288,712
Plant and equipment	916,375	817,500
	<u>1,213,163</u>	<u>1,106,212</u>
Less accumulated depreciation and depletion	41,928	7,306
	<u>1,171,235</u>	<u>1,098,906</u>
Other assets (note 7)	28,485	21,173
	<u>\$1,427,258</u>	<u>\$1,301,955</u>
Liabilities		
Current liabilities:		
Bank indebtedness (note 3)	\$ 16,277	\$ —
Accounts payable and accrued liabilities	44,830	57,537
Current advances from shareholder (note 4)	160,145	—
Current maturities of long-term debt	1,700	26,483
	<u>222,952</u>	<u>84,020</u>
Long-term debt (note 5)	374,079	353,072
Shareholder's advances and investment (note 6):		
Long-term advances	400,969	400,969
Investment	429,258	463,894
	<u>830,227</u>	<u>864,863</u>
	<u>\$1,427,258</u>	<u>\$1,301,955</u>

See accompanying notes.

Combined Statement of Changes in Financial Position

Year ended December 31, 1982 (thousands of dollars)

Source of funds:

Long-term borrowings	\$ 29,226
Reduction in other assets	15,744
Increase in shareholder's investment	2,685
	<u>47,655</u>

Use of funds:

Net loss	37,321
Add (deduct) items not requiring an outlay of funds:	
Depreciation and depletion	(34,622)
Income tax benefit	23,056
	<u>25,755</u>
Funds used in operations	106,951
Additions to property, plant and equipment	8,219
Repayment of long-term debt	<u>140,925</u>

DECREASE IN WORKING CAPITAL (93,270)

Working capital, beginning of year 97,856

Working capital, end of year \$ 4,586

See accompanying notes.

Auditors' Report



Peat, Marwick, Mitchell & Co.

To the Shareholder of
Kidd Creek Mines Ltd.

We have examined the combined balance sheet of Kidd Creek Mines (as defined in note 1) as at December 31, 1982 and the combined statements of operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these combined financial statements present fairly the financial position of Kidd Creek Mines as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles consistently applied.

Toronto, Canada
February 10, 1983

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Notes to Combined Financial Statements

December 31, 1982

1. Basis of Presentation:

In January 1982, with effect from September 1981, Canada Development Corporation acquired all of the issued shares of Kidd Creek Mines Ltd. and certain other wholly-owned subsidiaries of Texasgulf Inc. from Societe Nationale Elf Aquitaine. The significant operations acquired include the mining operations of Kidd Creek Mines Ltd., a Delaware corporation, and the potash operations of Kidd Creek Potash Company, a California corporation, and the oil and gas and recovered sulphur operations of Kidd Creek Mines Ltd. and of Tg Hydrocarbons Limited.

It is intended that a reorganization will be effected whereby Kidd Creek Mines Ltd. will own only the mining and potash operations acquired. For purposes of these combined financial statements, Kidd Creek Mines is defined as this operating entity.

The cost of the acquisition to Canada Development Corporation has been recorded in these combined financial statements. The excess of the cost over the book values of the assets less the liabilities as at the date of acquisition has been assigned to assets and liabilities based on their fair values as follows:

	(In thousands)
Property	\$ 177,070
Plant and equipment	150,000
Unproven properties and mineral exploration projects	(13,112)
Canadian branch taxes payable	38,072
Deferred income taxes	147,974
Other	(11,670)
	<u>488,334</u>

Under the terms of the agreement between Canada Development Corporation and Societe Nationale Elf Aquitaine, assessments of prior years U.S. and Canadian taxes and interest will be shared on the basis of 42.5% and 57.5% respectively. A number of tax issues have not been resolved and to the extent that additional amounts of tax are paid or recovered the purchase price consideration will be adjusted.

2. Significant Accounting Policies:

The accounting policies of the companies combined in these financial statements are in accordance with accounting principles generally accepted in Canada and are as follows:

(a) Inventories:

Product inventories which include mined ore, concentrates, metals and potash are recorded at the lower of average cost

and net realizable value.

Supplies inventories are stated at average cost.

(b) Property, Plant and Equipment:

Property, plant and equipment are recorded at cost. Development expenditures necessary to prepare an orebody for production are capitalized prior to initial production.

Preproduction costs, including related interest, and operating losses during the construction and start-up phases of major facilities are capitalized until the facilities are capable of sustained operations at commercial production levels.

Mine properties and facilities are depleted and depreciated over the estimated lives of the mines based on the unit-of-production method. Manufacturing facilities are depreciated over 25 years using the straight-line method.

(c) Exploration:

All expenditures on unproven properties are expensed.

(d) Foreign Currency Translation:

Current assets and current liabilities that are receivable or payable in foreign currencies are translated into Canadian dollars at rates in effect as at the year end. Long-term liabilities are translated at rates in effect when the liabilities were initially incurred. Revenues and expenses are translated at rates in effect on the dates of the transactions. Foreign exchange gains or losses resulting from such translation practices are included in the combined statement of operations.

(e) Comparative Figures:

Certain 1981 comparative figures on the combined balance sheet have been reclassified to reflect adjustments to the preliminary allocation of the cost of the acquisition to Canada Development Corporation and to conform with 1982 presentation.

The combined statements of operations and changes in financial position are shown only for 1982, the first full year of operations since the acquisition.

3. Bank Indebtedness:

Bank indebtedness consists of an amount drawn against a line of credit with a Canadian chartered bank and bears interest based on the Canadian prime rate.

Interest charges on bank indebtedness for the year amounted to \$604,000.

4. Current Advances from Shareholder:

Current advances from Canada Development Corporation generally bear interest based on rates quoted for prime Canadian and U.S. dollar loans and L.I.B.O.R. loans. Interest charges for the year amounted to \$8,947,000.

Notes to Combined Financial Statements, Continued

December 31, 1982

5. Long-Term Debt:

Long-term debt consists of the following:

	(In thousands)	
	1982	1981
Bank loans	\$353,788	\$329,562
9.5% notes, due 1982	—	25,000
10% debentures, due 1986, Sinking fund payments of \$741,000 in 1984, \$1,250,000 in 1985 and \$15,000,000 in 1986	16,991	16,991
Other	5,000	8,002
	375,779	379,555
Less current maturities	1,700	26,483
	<u>\$374,079</u>	<u>\$353,072</u>

Kidd Creek Mines has a credit facility with Canadian chartered banks in the amount of U.S. \$300 million. The loans bear interest based on rates quoted for bankers' acceptances, prime Canadian or U.S. dollar loans or L.I.B.O.R. loans. Under the terms of the loan agreements, the banks have the right to review the established credit facility annually or from time to time and to reduce or terminate the credit at any time.

Bank loans have been classified as non-current liabilities as the banks have indicated that they do not anticipate that the credit will not be renewed in its entirety as a result of their review, nor do they anticipate that it will be reduced or eliminated during the succeeding twelve months.

Bank loans currently outstanding are payable in U.S. dollars. The Canadian dollar equivalent at the year end rate of exchange is \$366,060,000 resulting in an unrealized foreign exchange loss of \$12,272,000 as at December 31, 1982.

Interest charges on long-term debt for the year amounted to \$53,105,000.

6. Shareholder's Investment:

Long-term advances from Canada Development Corporation consist of a U.S. dollar note payable at interest based on rates quoted for L.I.B.O.R. loans plus ½% to July 30, 1986 and ¾% thereafter. The note is repayable in semi-annual payments of U.S. \$33,800,000 from 1987 through 1991. The Canadian dollar equivalent of the debt at the year end rate of exchange is \$415,335,000 resulting in an unrealized foreign exchange loss of \$14,366,000 as at December 31, 1982. Interest charges for the year amounted to \$69,654,000.

Shareholder's investment represents the book value of Canada Development Corporation's investment in Kidd Creek Mines, as at December 31, 1982.

	(In thousands)
Balance, beginning of the year	\$463,894
Contributions	2,685
Net loss for the year	(37,321)
Balance, end of the year	<u>\$429,258</u>

7. Income and Mining Taxes:

As at December 31, 1982, the book value of the net assets exceeds amounts which are available as deductions in computing income for tax purposes in the future. This is primarily attributable to a difference of approximately \$732,000,000 between the cost of the acquisition assigned to the net assets and the aggregate tax values of these net assets as at the effective date of the acquisition.

The income tax benefit of the current year's loss, net of deferred tax credits of \$3,286,000, has been recorded in the accounts and is included in other assets.

Provisions for income and mining taxes on the combined statement of operations consists of the following:

	(In thousands)
Income tax benefit	\$26,342
Mining tax expense	(4,565)
	<u>\$21,777</u>

The effective income tax rate is as follows:

Combined federal and provincial income tax rate	49.0%
Depreciation and depletion not deductible for tax purposes (see above)	(19.5)
Resource allowance	8.3
Inventory allowance	2.3
Other	4.5
	<u>44.6%</u>

8. Pension Plan:

All employees are covered by a defined benefit pension plan. The policy is to fund pension costs as accrued. As at the date of the last actuarial determination, June 30, 1982, the current value of plan net assets exceeded accumulated plan benefits.

Statistical Review

Production quantities given below are presented to illustrate the recent history of production at Kidd Creek Mines operations. All quantities are in metric tons unless otherwise noted.

	1982	1981	1980	1979	1978
KIDD CREEK					
Ore milled	4,320,700	4,076,400	3,899,600	3,680,900	3,002,100
Zinc Concentrates produced for sale	161,200	118,600	135,200	102,000	148,500
Zinc Concentrates consumed internally	210,400	223,100	216,500	208,400	155,800
Zinc	105,600	109,200	101,600	106,700	72,800
Copper — Kidd Creek	25,100	5,600	—	—	—
— Tolled	42,300	54,800	61,700	61,800	48,100
Cadmium	460	480	470	490	320
Silver-Lead Concentrate	26,300	16,100	27,800	12,400	18,800
Tin Concentrate	110	240	270	220	230
Silver (Kilograms)	166,550	144,970	219,620	177,010	196,790
Sulphuric Acid	323,400	193,200	184,200	184,200	138,300
OWL CREEK					
Ore milled	247,600	—	—	—	—
Gold (grams)	778,000	—	—	—	—
ALLAN POTASH MINE					
(Kidd Creek portion)					
Ore milled	939,000	1,357,000	1,094,000	1,193,000	1,168,000
Muriate of Potash	317,000	487,000	399,000	433,000	429,000
TOTAL EMPLOYEES	3,243	2,977	2,575	2,265	2,130

Officers

P. Ray Clarke
Chairman of the Board
President and
Chief Executive Officer

Donald C. Lowe
Vice-Chairman

Michael P. Amsden
Senior Vice President
Operations

William E. P. Fearn
Senior Vice President
Finance and Administration

Kent D. Hoffman
Senior Vice President
Marketing

David G. Baskin
Vice President
Traffic

J. Eric Belford
Vice President
Mining

Doron J. Cohen
Director Information
Services

Bruce W. Gilbert
Vice President
Sales

Donald F. Grenville
Vice President
Employee Relations

John B. Heslop
Vice President
Project Development
Division

D. Malcolm King
Comptroller

Peter L. Money
Vice President
Exploration

John M. Newell
Vice President
Corporate Planning

George Podolsky
Vice President
Research and Development

L. Donald Sanderson
Vice President
Metallurgy

Reginald A. Willoughby
Vice President
General Counsel
and Secretary

Gerald N. Wood
Treasurer

**Kidd Creek Europe Ltd.
Officers**

Michael C. Hughes
President

Alan S. Tipler
Vice President

Senior Staff

TIMMINS

Peter N. Blakey
Superintendent
Owl Creek Mine

Philip E. Donaldson
Superintendent
Purchasing and Warehouse

Ernest R. Hamilton
Superintendent
Zinc Plant

Victor N. Kelly
Chief Geologist

Denis J. Kemp
Superintendent
Copper Refinery

James E. Martin
Superintendent
Maintenance
Metsite

David L. McKay
Superintendent
No. 2 Mine

Denis L. Miller
Superintendent
Special Projects

John W. Miller
Superintendent
Maintenance
Minesite

William G. Moore
Superintendent
Concentrator

Christopher J. Newman
Superintendent
Copper Smelter

William H. Niemi
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Traffic

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Employee Relations

Ronald M. Sweetin
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Stephen J. Walasek
Superintendent
Computer Services

Arthur C. Warren
Chief Accountant

J. Keith Youngblut
Superintendent
No. 1 Mine

EXPLORATION

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Northeast Ontario

Richard L. Moore
Chief Geologist

Giles R. Peatfield
Regional Manager
Canadian Shield

Donald W. Pollock
Regional Manager
Appalachian Region

John A. Slankis
Chief Geophysicist

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Colin Chapman
Chief Metallurgist

Eric Dison
Manager
Potash Sales

Anthony J. Griffiths
Manager
Metal Sales

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Manager
Corporate Accounting

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Advertising

M. Betty Morris
Manager
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Eric G. Snyder
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